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Santos reserves replacement at 121% in 2004

Santos Limited announces that, during 2004, replacement of proven reserves exceeded total group production for the third year in a row.

The oil and gas group's replacement rate for proven reserves over the last three years has averaged 130%, a significant improvement on previous performance.

Increases in proven reserves (1P), prior to production, in 2004 totalled 57 million barrels of oil equivalent (mmboe) or 121% of production, while increases in proven plus probable reserves (2P), prior to production, was 54 mmboe or 114% of production.

Proven reserves increased to 348 mmboe, compared with 338 mmboe at the end of 2003. Proven plus probable reserves rose to 643 mmboe compared with 636 mmboe a year earlier.

These latest results do not include any potential reserve bookings for the recent discoveries in Santos' expanding Indonesian core area- the Jeruk oil discovery in the Sampang PSC in East Java or the Hiu Aman oil and gas discovery in the Donggala PSC in the Kutei Basin, offshore East Kalimantan.

The average 1P reserve replacement cost for the past calendar year was US\$12.37 per boe, or US\$7.19 per boe on a three year average.

Replacement costs in any one year are affected by the timing of spending and reserve bookings; a three year average is the more reliable indicator of costs. Santos' three-year average replacement cost of US\$7.19 per boe is world-competitive.

A major focus of the 2004 capital program was the conversion of undeveloped reserves to the developed category. During the year, 102 mmboe of proven reserves and 134 mmboe of proven plus probable reserves were developed, significantly increasing the value of reserves.

Santos manages a diverse portfolio of hydrocarbon reserves. Underlying the picture of overall growth, were the following features:

Reservoir characterization: Ongoing appraisal drilling, interpretation and integration of well data typically results in revisions to existing booked reserves.

In 2004, major variances include a positive revision in John Brookes' 2P reserves of 32 mmboe. The Casino field also benefited from a positive 2P revision of 5 mmboe.

Development drilling: As reflected by the focus on reserve development, 2004 was a year in which significant development drilling was undertaken. The results of the drilling programs were integrated into field reservoir models throughout the year. Major variances from pre-drill estimates include:

- Additional 2P reserves of 14 mmboe at Bayu Undan, where the reservoir sections were thicker and of better quality, and the top of the reservoir was intersected higher than expected, and
- A downward revision in Mutineer-Exeter 2P reserves of 13 mmboe, which was foreshadowed in August 2004. The Mutineer-Exeter fields have proved to be more complex than originally interpreted and with thinner reservoirs than modelled. Notwithstanding, four horizontal production wells have been successfully drilled and completed and are expected to provide initial oil production of 70,000-90,000 barrels of oil per day.
- Production from this new oil field is now expected to commence next month (March), several months ahead of schedule and below budget.

Production results: Reserve revisions also result from the integration of well performance data obtained during the production phase. During the year, production results from East Spar and the Cooper Basin resulted in 2P reductions of 8 mmboe and 16 mmboe respectively. In the Cooper Basin downgrades were due to poorer than expected performance in some tight gas fields and the integration of results from some previously unsuccessful fracture stimulations.

Commercialisation: Significant volumes of new gas contracts were agreed in 2004. The Maleo gas field – one of Santos' first discoveries in the Group's expanding Indonesian core area – saw sufficient progress with commercialisation to book 27 mmboe of 2P reserves.

Acquisitions and divestments: Santos actively bought and sold assets in 2004, resulting in a net increase of 22 mmboe (2P) from the acquisition of certain assets of Novus Petroleum and an increase in Patricia Baleen equity, with negligible movement due to divestments.

Contingent Resources

Santos' contingent resources (discovered but currently sub-commercial or technically immature hydrocarbon resources) were 1,443 mmboe at the end of the year, a decrease of 7 mmboe relative to the previous year. This includes 450 mmboe in Evans Shoal in the Timor Sea, the location of further exploration in 2005; 390 mmboe in PNG (primarily the Hides gas and liquids field); and 250 mmboe in the Petrel-Tern gas field in the Bonaparte Basin.

The resource distribution for the Jeruk discovery is currently under review and has not been included in the year end 2004 contingent resource estimates.

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Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR)

PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) BY ACTIVITY

	Sales gas (incl. ethane) PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Reserves year end 2003	2,670	102	48	3,605	636
Production	-190	-10	-3	-159	-47
Additions	157	1	0	24	29
Acquisitions/Divestments	110	2	1	98	22
Revisions	126	-21	3	-45	3
Estimated reserves year end 2004	2,873	74	49	3,523	643

**PROVEN PLUS PROBABLE RESERVES (SANTOS SHARE) YEAR END 2004 BY AREA
(mmboe)**

Area	Sales gas (incl. ethane) PJ	Crude oil mmbbl	Condensate mmbbl	LPG 000 tonnes	Total mmboe
Cooper Basin	1,051	24	15	1,842	233
Onshore Northern Territory	147	1	1	0	27
Offshore Northern Territory	310	1	27	1,507	92
Eastern Queensland	256	0	0	22	45
Southern Australia	271	0	2	152	50
Carnarvon Australia	555	43	3	0	141
PNG	0	1	0	0	1
Indonesia	243	4	0	0	46
USA	40	0	1	0	8
Total	2,873	74	49	3,523	643

**RESERVES (SANTOS SHARE)
(mmboe)**

	Year End 2003	Production	Revisions	Additions	Acq/Divest	Year End 2004
Proven (1P)	338	-47	26	19	12	348
Proven plus Probable (2P)	636	-47	3	29	22	643
Contingent Resources (Best Estimate)	1,450	-	-4	-13	10	1,443